

Rating Rationale

Brickwork Ratings revises Rating for the Bank Loan Facilities of USD 5.81 million (USD Five Million Eight Hundred Ten Thousand) of Adel Shipping & Logistics Limited.

Brickwork Ratings (BWR) has revised the following **Rating**¹ for the Bank credit facilities of Adel Shipping & Logistics Limited (“ASLL” or “the Company”).

Facility	Previous Outstanding Limits	Present Outstanding Limits	Tenure	Revised Rating ²	Rating History
External Commercial Borrowing (ECB)	USD 7.13 Million	USD 5.81 Million	Long Term	BWR BBB- (BWR Triple B Minus) (Outlook-Stable)	BWR BBB+ (BWR Triple B Plus) (Outlook-Stable) (March 2013)
Total	USD 7.13 Million	USD 5.81 Million			

BWR has principally relied upon the Company’s audited financial results up to FY 13, Provisional FY14 financials, projected financials, publicly available information and information/clarification provided by the Company management.

The revision of ratings primarily factors the continuous and increasing delays in realization of receivables from its sole customer, Essar Bulk Terminal Limited (EBTL), resulting in elongation of operating cycle. The deteriorating credit profile of EBTL is the apparent reason for the stretching of the receivables. The rating continues to factor, inter alia, experienced and professionally qualified management, healthy operating and net margins and presence of long term contract. However, the rating is constrained by the Company’s limited scale of operations, high gearing and customer concentration risk.

Background

Adel Shipping & Logistics Limited (ASLL) was incorporated in the year 2010. It is wholly owned subsidiary of Adel Shipping Holdings Limited. The company is in to marine and shipping services. At present it has tugs that have been chartered to Essar Bulk Terminal Limited (EBTL) under a long term contract. Adel Shipping & Logistics Limited has availed long term loan facility amounting to USD 9.49 million from Axis Bank Limited for part-funding the purchase of vessels. Out of the said amount, an amount of USD 5.81 million is outstanding as of July 17, 2014.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Management

The company is managed by experienced and qualified professionals. The directors on the board of Adel Shipping & Logistics Limited are Mr. A R Ramakrishnan, Mr. Anant Dhandhanian and Mr. Punit Prakash.

Operations

Adel Shipping & Logistics Limited (ASLL) is operating tugs that have been chartered to EBTL on long term basis. EBTL is engaged in operating Ports & Terminal facilities catering to dry bulk, break-bulk, containers, etc. at Hazira. There is a highly qualified team managing the daily operations of these vessels.

Financial Performance

ASLL has posted revenues of ₹ 18.11 Crores in FY14 against ₹ 17.92 Crores in FY13. The EBITDA stood at 15.18 Cr in FY14 with Operating margin of 83.82% against operating profit of ₹ 12.92 Cr in FY13 with an operating margin of 72.10%. The improvement is seen in FY14 as there was no dry docking expenditure in FY14. PAT for FY14 stood at ₹ 2.77 Cr with PAT margin of 15.32 against ₹ 0.69 Crores with PAT margin of 3.84% in FY13. Total Debt of ASLL stood at ₹ 36.67 Crs in FY14 against ₹ 38.53 Crs in FY13 on account of repayment of ECB. The networth improved to ₹ 18.17 Crs in FY14 from ₹ 15.39 Crs in FY13 on account of retention of reserves. The gearing remained high, however slightly improved to 2.02 times in FY14 compared to 2.50 times in FY13. The interest service coverage ratio and debt service coverage ratio were healthy at 7.09 times and 1.76 times respectively. The current ratio stood at 3.54 in FY14 and 2.93 in FY13. The Receivables were stretched further to 363 days in FY14 compared to 280 days in FY13 and the proportion of debtors greater than 6 months also increased.

Rating Outlook

The ability of the Company to improve its receivables collection period, expand its scale of operations, and diversify its client base will be key rating sensitivities.

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